

## Message Text

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63

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 SS-20 NSC-07 STR-08 L-03

PA-04 PRS-01 USIA-15 INT-08 AGR-20 DRC-01 /184 W

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R 122000Z MAR 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 7751

C O N F I D E N T I A L SANTIAGO 1202

EO 11652: GDS

TAGS: IBRD, EFIN, CI

SUBJ: IBRD MISSION IN CHILE

REF: (A) SANTIAGO 780; (B) SANTIAGO 1123

1. SUMMARY: IBRD MISSION, WHICH WAS IN CHILE APPROXIMATELY ONE MONTH, DEPARTED MARCH 8. WHILE IMPRESSED WITH GENERAL DIRECTION OF GOC'S ECONOMIC PROGRAM, MISSION WAS WORRIED ABOUT ABSENCE OF PRECISE EXPENDITURE PRIORITIES AND LACK OF INTR-GOVT COORDINATION IN POLICY IMPLEMENTATION. FINAL MISSION REPORT WILL PROBABLY RECOMMEND SUBSTANTIAL LENDING TO GOC, INCLUDING A PROGRAM LOAN FOR 1974. END SUMMARY

2. WORLD BANK MISSION, REPORTED REFTL (A), DEPARTED SANTIAGO MARCH 8. IN CONVERSATIONS WITH AMBASSADOR AND ECON COUNSELOR DURING LAST WEEK OF THEIR STAY, MISSION MEMBERS GAVGOC HIGH MARKS FOR GENERAL POLICY DIRECTION BUT VOICED CONCERN ABOUT DISORGANIZED GOVERNMENT APPARATUS CHARGED WITH CARRYING OUT THESE DECISIONS. GOC LAADERS AND BUREAUCRACY, CONSTANTLY TALKING ABOUT USING MARKET FORCES TO ALLOCATE RESOURCES, TEND TO FORGET THAT GOVT STILL CONTROLS NEARLY 50 PERCENT OF GDP AND, AS SUCH, MUST PLAN AND COORDINATE ITS ACTIONS CAREFULLY.

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3. THEY WERE APPALED AT FAILURE OF GOC THUS FAR TO SET CLEAR DEVELOPMENT PRIORITIES. THE CABINET-LEVEL ECONOMIC COMMITTEE HAS NOT TAKEN NECESSARY STEPS TO PREVENT MULTITUDE OF MINISTRIES AND SEMI-AUTONOMOUS GOVERNMENT AGENCIES FROM PUSHING, OFTEN AT CROSS PRUPOSES, FOR THEIR PET PROJECTS. LOWER-LEVEL GOC COMMITTEE CHARGED WITH ALLOCATING CHILE'S FOREIGN EXCHANGE RESOURCES IS NOT HELP SINCE MEMBERS APPARENTLY APPROACH THEIR TASK AS BOOKKEEPERS RATHER THAN WITHIN ANY OVER-ALL DEVELOPMENTAL PLAN. CENTRAL BANK IMPORT SYSTEM IS EQUALLY UNCOORDINATED AND NONDISCRIMINATING.

4. SOME MEMBERS OF WORLD BANK TEAM BELIEVE ESCUDO IS STILL OVERVALUED BECAUSE BASE FOR BANKERS' (TRADE) RATE WAS SET TOO LOW LAST OCTOBER. THESE PEOPLE CONTEND THAT CHILE HAS BEEN ABOVE TO IGNORE THIS FACT FOR SIX MONTHS BECAUSE OF HIGH COPPER PRICES. THE BANK WOULD PREFER TO SEE CHILE USING (WHAT THE IBRD CONSIDERS) WINDFALL COPPER PROFITS FOR HIGH-PRIORITY CAPITAL IMPORTS, BUT AS MENTIONED ABOVE, NOBODY IN GOC HAS YET DECIDED WHAT THOSE ARE. (FOR CENTRAL BANK VIEW ON EXCHANGE RATE, SEE REF B.)

5. MISSION MEMBERS SAY GOC FISCAL PERFORMANCE ON REVENUE SIDE IS GOING QUITE WELL. DURING FIRST TWO MONTHS ACTUAL REVENUE ALMOST EXACTLY AS PROJECTED IN BUDGET. EXPENDITURES ARE RUNNING HIGHER THAN PLANNED. ON BALANCE MINISTRY OF FINANCE SEEMS TO BE FUNCTIONING MORE EFFICIENTLY THAN CENTRAL BANK, CORFO, MINISTRY OF AGRICULTURE, AND ODEPLAN - ALL OF WHICH HAVE IMPORTANT ROLES IN ECONOMY.

6. DESPITE ABOVE MISGIVING, BANK TEAM APPARENTLY INTENDS TO RECOMMEND PROGRAM AND PROJECT LENDING TO CHILE FOR FY 1974. ON MARCH 8 MISSION MEMBERS STILL WERE NOT IN AGREEMENT AMONG THEMSELVES ON BASIC BALANCE OF PAYMENTS FIGURES, SO THEY HAD NO PARTICULAR LOAN FIGURE IN MIND. THESE AND OTHER IMPORTANT DETAILS WILL HAVE TO BE RESOLVED IN WASHINGTON WHERE THE TEAM IS TO DRAFT ITS REPORT TO THE BANK LEADERSHIP.

7. ACTION REQUESTED: EMBASSY WORLD APPRECIATE ARA/BC CONTACTING PFEFFERMAN AND THIEBACH IN ABOUT TWO WEEKS TO GET DETAILS ON MISSION'S REPORT.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
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**Disposition Approved on Date:**  
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**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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